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Low Sugar Prices Could Reduce Output and Increase Imports

Report Categories:

Sugar

Agricultural Situation

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Report Highlights:

The Venezuelan Sugar Industry has battled to cover expanding costs, and foresees declining domestic production in 2010. Imports are expected to increase up to about 700,000 tons, but higher international prices as compared to internal controlled prices, plus difficulties in contracting shipping for imports, could make obtaining product more difficult over time. As lower production is expected to continue, imports for 2010 could go even higher in the future. Venezuela's sugar cane growers and millers are concerned about the negative effects of price controls on production and investment.

General Information:

INTRODUCTION:

The National Federation of Associations of Venezuelan Cane Producer (Fesoca), expects that cane production will fall to about 700,000 tons in 2010. Since October 2009, the industry has asked the Government to review the sugar consumer price. The sugar industry's costs have increased by 30 percent as result of recent currency devaluation. Cane producers are asking the government to increase the current price of Bs. 2.86 per kilo to Bs. 4.40 per kilo. Cane producers receive only Bs. 1.20 per kilo and their costs are Bs. 2.60.

Fesoca expects that 2009-2010 harvest will reach 6.5 million tons, a decrease of 10.9 percent compared to the harvest 2008-2009 where 7.3 million tons of crushed sugarcane were produced. The industry forecast for 2010 is 6.5 million tons. With these figures, the government will import from 600 to 700 thousand tons of sugar cane to supply the domestic market. Demand for 2010 is estimated at 1.2 million tons of refined sugar, achieved by 15 sugar mills. At present the industrial sector receives 60 percent of sugar production while 40 percent is destined for domestic/home consumption.